

## **Resolution GA15-6c**

Proposed Resolution to be adopted at the 15th General Assembly of the  
Roundtable on Sustainable Palm Oil (RSPO)

15<sup>th</sup> November 2018

**Title:** DELINKING AUDITORS FROM THE OPERATIONS THEY AUDIT

**Submitted By:** Forest Peoples Programme

**Supported by:** Global Environment Centre, Solidaridad, Aidenvironment, National Wildlife Federation, WWF-International and Social Entrepreneurs for Sustainable Development

### **Background:**

The credibility of the RSPO certification system, as a mechanism to transform the sustainability of palm oil production, depends on the implementation and enforcement of its standards.

The principle means of ensuring compliance is by requiring 'independent, third party verification' of member operations by auditors working for certification bodies.

Reviews by ASI however shows that very many audits are not identifying non-compliances,<sup>i</sup> a problem that can be traced back to the inherent conflict of interest that results from the Certification Bodies (CB)/ auditors being chosen and paid for directly by the companies that they assess. Academic reviews of certification more widely show that there are problems ensuring the quality of audits and that the longer that auditors engage with their clients, the less exacting their reviews.<sup>ii</sup> In some cases, the audit process may become thoroughly corrupted.<sup>iii</sup> An experiment in India with audits of company pollution showed that random selection and indirect payment of auditors improves both the rigour and independence of audits.<sup>iv</sup>

### **Potential Benefit/Risk:**

There is a risk that the body set up to hold funds and choose auditors/CBs to carry out verifications independently could itself be subject to pressures to act collusively or corruptly. The procedures set up must therefore be subject to oversight by a sub-committee or Panel that reports directly to the CEO and COO and the Board of Governors, be independently and transparently audited by accountants and report regularly and transparently to the overall RSPO membership on which CBs are being appointed or selected to carry out audits.

The benefits are that the RSPO will gain credibility for its commitment to enforce its own standards through genuinely independent auditing.

## **THIS RESOLUTION PROPOSES:**

**To mandate and resource the Secretariat to support and facilitate the RSPO Assurance Task Force, including the members of the Task Force, the Task Force Counterparts, the Reference Panel, and the Steering Committee, to develop:**

- **Proposed procedures that would delink CBs and auditors from the companies and operations they are asked to audit**
- **Propose amendments to the RSPO Certification Systems document accordingly.**

**Following public consultation, these proposals are to be submitted to the Board of Governors for adoption within 9 months.**

## **Contact Information:**

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## **References:**

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<sup>i</sup>Accreditation Services International, RSPO compliance assessments in 2015 and 2016 – summary and conclusions, 2017.

<sup>ii</sup> Jodi L. Short, Michael W. Toffel and Andrea R. Hugill, *Monitoring Global Supply Chains: Working Paper 14-032* (Cambridge: Harvard Business School, 2015).

<sup>iii</sup> Esther Duflo et al., *Truth-Telling by Third-Party Auditors and the Response of Polluting Firms: Experimental Evidence from India: Working Paper 19259* (Cambridge: Harvard National Bureau of Economic Research, 2013).

<sup>iv</sup> Ibid.